

NOTE 13 – DEBT**Short-term Debt Instruments and Liquidity**

King County has two short-term limited tax general obligation (GO) bond anticipation notes outstanding as of December 31, 2006. The County completed the sale of \$84.0 million of bond anticipation notes, 2006 Series A and Series B on November 1, 2006. The proceeds of the notes are accounted for in the Building Construction and Improvement fund. The 2006 Series A notes in the amount of \$52.7 million were issued to provide interim financing for various projects related to the County Courthouse, the integrated security and jail health project, the Kent Pullen Regional Communications and Emergency Coordination Center, the Pedestrian Tunnel between the New County Office Building (NCOB) and the Goat Hill parking structure, the acquisition of workstations and furniture for the NCOB (the NCOB Equipping Projects) and other projects. The 2006 Series B notes in the amount of \$31.3 million were issued to provide interim financing for the Juanita Woodland Open Space Acquisition Project and the Forestry and Nearshore Initiative Project. Also, a portion of the proceeds from both notes were used to pay and retire the County's \$60.0 million of general obligation bond anticipation notes, 2005 Series A and Series B, which matured on November 1, 2006. The County intends to refinance the repayment of 2006 Series A and Series B notes by issuing limited tax general obligation bonds when the notes matured on November 1, 2007.

The County has \$50.0 million of commercial paper outstanding in the Water Quality Enterprise Fund. The commercial paper outstanding as of December 31, 2006, has maturities ranging from 19 to 59 days. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the Enterprise. Repayment of the debt will be made from operating revenues. The following schedule provides a summary of changes in short-term debt as of December 31, 2006 (in thousands):

	Balance 01/01/06	Additions	Reductions	Balance 12/31/06
Governmental activities:				
Limited tax GO bond anticipation notes	\$ 60,000	\$ 83,990	\$ (60,000)	\$ 83,990
Unamortized premium bonds sold	714	273	(714)	273
Governmental activities short-term debt	<u>\$ 60,714</u>	<u>\$ 84,263</u>	<u>\$ (60,714)</u>	<u>\$ 84,263</u>
Business-type activities:				
Commercial paper	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000
Business-type activities short-term debt	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 50,000</u>

NOTE 13 – CONTINUED**Long-term Debt**

King County's long-term debt is reported under governmental activities and business-type activities. Governmental activities long-term debt consists of general obligation bonds, general obligation capital leases, and special assessment bonds with governmental commitment. Payment of special assessment bonds are guaranteed by the Road Improvement Guaranty Fund if a road improvement district fails to pay.

Business-type activities long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Institutional Network (I-NET), Solid Waste, Public Transportation, and Water Quality Enterprise Funds; revenue capital leases accounted for in the Public Transportation Fund; and State of Washington revolving fund loans and revenue bonds accounted for in the Water Quality Enterprise Fund.

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
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	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Outstanding at 12/31/06</u>
I. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
Payable from Limited Tax GO Bond Redemption Fund					
1993 Various Purpose Series B (Partial)	12/01/93	01/01/24	5.35-6.70%	\$ 109,436	\$ 17,750
1996 Various Purpose Series A (Partial)	02/01/96	01/01/16	5.00-5.25%	105,268	3,330
1996 Refunding Bonds Series B	03/01/96	01/01/10	4.10-4.60%	10,348	890
1997 Baseball Stadium Parking Facilities (Taxable) Series C	04/01/97	12/01/16	7.06-7.79%	25,000	2,390
1997 Baseball Stadium Series D	05/07/97	12/01/11	4.60-5.75%	150,000	52,245
1997 Kingdome Debt Service Reimburse (Taxable) Series E	12/01/97	12/01/15	6.25-6.88%	6,595	5,945
1997 Kingdome Debt Refunding Series F	12/01/97	12/01/15	5.00-5.20%	51,525	50,755
1997 Various Purpose Series G (Partial)	12/01/97	12/01/17	4.50-5.00%	72,080	6,135
1999 Various Purpose Series A (Partial)	05/01/99	12/01/19	4.00-5.25%	85,695	16,042
2001 Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	26,925	18,890
2002 Refunding 1997B Series (Baseball Stadium)	06/04/02	12/01/14	4.00-5.50%	124,575	76,420
2002 Various Purpose (Road CIP) Bonds	10/01/02	12/01/16	2.00-5.00%	38,340	29,310
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	06/01/23	2.00-5.25%	27,605	24,895
2003 Various Purpose Refunding Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	27,890	21,315
2004 Refunding 1996A Series A	09/21/04	01/01/16	2.00-5.00%	57,045	56,295
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	01/01/25	2.50-5.00%	82,435	80,615
2004 Baseball Stadium (Refg 1997C Partial) (Taxable) Series C	12/21/04	12/01/11	2.92-4.49%	13,195	9,905
2004 Baseball Stadium (Refg 1997D Partial) Series D	12/21/04	12/01/11	3.00-5.00%	32,075	28,680
2005 Refunding 1993B Bonds Series A	06/29/05	01/01/19	5.00%	22,510	22,510
2006 Refunding Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	38,330	38,330
2006 Greenbridge Project Section 108 Bonds	08/01/06	08/01/24	4.96-5.70%	6,783	6,783
Total payable from Limited Tax GO Redemption Fund				<u>1,113,655</u>	<u>569,430</u>
Payable from Internal Service Funds					
1997 Various Purpose Series G (Partial)	12/01/97	12/01/17	4.50-5.00%	1,270	155
1999 Various Purpose Series A	05/01/99	12/01/19	4.00-5.25%	525	175
2001 Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	1,050	575
Total payable from Internal Service Funds				<u>2,845</u>	<u>905</u>
IB. Limited Tax GO capital leases					
Payable from Public Health	Various	Various	Various	642	160
Payable from Various Funds - 1997 King Street Center's Tenants	06/01/97	6/1/2026	4.50-5.13%	78,275	70,420
Payable from General Fund - 1998 Issaquah District Court	09/29/98	12/1/2019	3.80-5.05%	5,900	4,535
Payable from HMC - 2002 Broadway Office Property	11/13/02	12/1/1931	4.00-5.38%	62,540	61,330
Total Limited Tax GO Capital Leases				<u>147,357</u>	<u>136,445</u>
Total Limited Tax General Obligation Debt				<u>1,263,857</u>	<u>706,780</u>

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
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	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Outstanding at 12/31/06</u>
I. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT					
IC. Unlimited Tax General Obligation Bonds (ULTGO)					
Payable from Unlimited Tax GO Redemption Fund					
2000 Refunding Bonds (Partial)	10/01/00	06/01/16	5.00-5.50%	\$ 102,740	\$ 53,065
2001 Harborview Medical Center	02/01/01	12/01/20	4.00-5.00%	29,130	24,720
2003 Refunding 1993C Bonds	04/23/03	06/01/19	2.00-5.25%	108,795	55,790
2004 ULTGO Bonds Series A (HMC)	05/04/04	12/01/23	2.00-5.00%	110,000	104,155
2004 ULTGO Bonds Series B (HMC)	09/14/04	06/01/23	3.00-5.00%	54,000	51,900
Total payable from Unlimited Tax GO Bond Redemption Fund				<u>404,665</u>	<u>289,630</u>
Payable from Stadium GO Bond Redemption Fund					
2000 Refunding Bonds (Partial)	10/01/00	06/01/16	5.00-5.50%	<u>18,880</u>	<u>10,480</u>
Total Unlimited Tax General Obligation Bonds				<u>423,545</u>	<u>300,110</u>
ID. Special Assessment General Long-Term Debt					
Special assessment bonds with governmental commitment -					
bonds payable from Road Improvement Districts S.A.					
Bond Redemption Fund - 1986 RID 2 Consolidated	07/01/86	07/01/08	7.88-8.25%	<u>286</u>	<u>15</u>
TOTAL GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT				<u>1,687,688</u>	<u>1,006,905</u>
II. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO)					
Payable from Enterprise Funds					
1996 LTGO Refunding Series B (Partial)	03/01/96	01/01/10	4.10-4.75%	12,632	1,295
1996 LTGO Refunding (Revenue Bonds) Series C	12/15/96	01/01/32	5.00-6.25%	130,965	5,325
1998 LTGO (Public Transportation Sales Tax) Refunding Series A	05/15/98	12/01/19	4.50-5.00%	85,715	56,645
1998 LTGO Refunding (WQ-LTGO & Revenues) Series B	09/15/98	01/01/34	4.75-5.25%	261,625	251,220
1999 LTGO Refunding Series A (Partial)	05/01/99	12/01/19	4.00-5.25%	8,720	7,538
2001 LTGO Various Purpose (Partial)	11/01/01	12/01/21	3.00-5.00%	8,580	7,145
2002 LTGO (Public Transportation Sales Tax) Refunding Bonds	11/05/02	12/01/19	3.00-5.50%	64,285	53,750
2003 LTGO Refunding 1993A Bonds Series B (Partial)	10/30/03	06/01/23	2.00-5.25%	12,545	3,370
2004 LTGO (Public Transportation Sales Tax) Bonds	06/08/04	06/01/34	2.50-5.50%	49,695	48,100
2005 LTGO (WQ-LTGO) Bonds	04/21/05	01/01/35	5.00%	200,000	200,000
2006 Refunding Bonds (Partial)	12/14/06	01/01/19	4.00-5.00%	<u>7,995</u>	<u>7,995</u>
Total Limited Tax GO Bonds Payable From Enterprise Funds				<u>842,757</u>	<u>642,383</u>

NOTE 13 – CONTINUED

KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
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	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/06
IIB. Revenue Bonds, Capital Leases and Loans					
Payable from Enterprise Funds					
1999 Sewer Revenue Bonds Series 2	11/01/99	01/01/35	5.00-6.25%	\$ 60,000	\$ 3,365
2001 Sewer Revenue Bonds Junior Lien Series A	08/06/01	01/01/32	Variable Rate ^(a)	50,000	50,000
2001 Sewer Revenue Bonds Junior Lien Series B	08/06/01	01/01/32	Variable Rate ^(a)	50,000	50,000
2001 Sewer Revenue and Refunding Bonds	11/28/01	01/01/35	3.00-5.25%	270,060	233,010
2002 Sewer Revenue Bonds Series A	08/14/02	01/01/35	5.00-5.50%	100,000	94,960
2002 Sewer Revenue Refunding Bonds Series B	10/03/02	01/01/33	3.00-5.50%	346,130	311,310
2003 Sewer Revenue Refunding Bonds	04/24/03	01/01/35	2.00-5.25%	96,470	93,665
2004 Sewer Revenue Bonds Series A	03/18/04	01/01/35	4.50-5.00%	185,000	185,000
2004 Sewer Revenue Refunding 1999-2 Bonds Series B	03/18/04	01/01/35	2.00-5.00%	61,760	60,290
2006 Sewer Revenue and Refunding 1999-1 Bonds Series A	05/16/06	01/01/36	5.00%	124,070	124,070
2006 Sewer Revenue Bonds Junior Lien Multi-Modal Series A	10/04/06	01/01/36	Variable Rate ^(b)	50,000	50,000
2006 Sewer Revenue Bonds Junior Lien Multi-Modal Series B	10/04/06	01/01/36	Variable Rate ^(b)	50,000	50,000
2006 Sewer Revenue and Refunding Bonds Series B-2	11/30/06	01/01/36	3.50-5.00%	193,435	193,435
2000-2006 State of Washington Revolving Loans	Various	Various	0.50-1.50%	134,401	118,622
2000 Public Transportation Rev Park and Ride capital leases	03/30/00	12/31/31	5.00%	4,722	3,611
Total Revenue Bonds, Capital Leases and Loans payable from Enterprise Funds				<u>1,776,048</u>	<u>1,621,338</u>
TOTAL BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT				2,618,805	2,263,721
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)				<u>\$ 4,306,493</u>	<u>\$ 3,270,626</u>

(a) The variable rate bonds initially issued in the Weekly Mode will bear interest at Weekly Rates. The Weekly Rate for each Interest Period is determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

(b) The variable rate bonds initially issued in the Weekly Mode will bear interest at Weekly Rates. The Weekly Rate for each Interest Period is determined by the Remarketing Agents. The County may elect to convert one or both series of the Bonds to Daily Mode, Flexible Mode, Term Rate Mode, Fixed Rate Mode or Auction Rate Securities ("ARS") Mode.

NOTE 13 – CONTINUED

KING COUNTY, WASHINGTON
DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES

Year	General Obligation Bonds		General Obligation Capital Leases and Loans		Special Assessment Bonds (With Governmental Commitment)		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 85,104	\$ 41,004	\$ 3,756	\$ 6,944	\$ -	\$ 1	\$ 88,860	\$ 47,949
2008	76,908	37,883	3,879	6,758	15	1	80,802	44,642
2009	79,651	34,107	4,020	6,564	-	-	83,671	40,671
2010	68,989	30,408	4,225	6,362	-	-	73,214	36,770
2011	57,456	27,065	4,440	6,147	-	-	61,896	33,212
2012-2016	294,830	87,266	25,900	27,028	-	-	320,730	114,294
2017-2021	136,963	35,041	32,545	19,428	-	-	169,508	54,469
2022-2026	70,544	5,518	38,685	10,134	-	-	109,229	15,652
2027-2031	-	-	18,995	2,942	-	-	18,995	2,942
TOTAL	\$ 870,445	\$ 298,292	\$ 136,445	\$ 92,307	\$ 15	\$ 2	\$ 1,006,905	\$ 390,601

BUSINESS-TYPE ACTIVITIES

Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total Business-Type Activities		Total Long-Term Debt (Excluding General Obligation Long-Term Liabilities)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 19,597	\$ 31,625	\$ 30,812	\$ 62,357	\$ 50,409	\$ 93,982	\$ 139,269	\$ 141,931
2008	16,785	30,942	32,742	64,123	49,527	95,065	130,329	139,707
2009	14,692	30,254	37,042	62,602	51,734	92,856	135,405	133,527
2010	15,392	29,531	38,667	60,953	54,059	90,484	127,273	127,254
2011	14,570	28,815	40,364	59,234	54,934	88,049	116,830	121,261
2012-2016	77,977	132,855	229,421	267,888	307,398	400,743	628,128	515,037
2017-2021	122,665	106,023	202,875	218,740	325,540	324,763	495,048	379,232
2022-2026	110,760	77,498	234,278	169,858	345,038	247,356	454,267	263,008
2027-2031	140,270	46,133	277,342	109,421	417,612	155,554	436,607	158,496
2032-2036	109,675	9,739	497,795	32,850	607,470	42,589	607,470	42,589
TOTAL	\$ 642,383	\$ 523,415	\$ 1,621,338	\$ 1,108,026	\$ 2,263,721	\$ 1,631,441	\$ 3,270,626	\$ 2,022,042

NOTE 13 – CONTINUED

The following table summarizes changes in long-term liabilities for the year ended December 31, 2006 (in thousands).

	<u>Balance 01/01/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/06</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 960,663	\$ 45,180	\$ (135,398)	\$ 870,445	\$ 85,104
Special assessment bonds with governmental commitment	15	-	-	15	-
Less deferred amounts:					
Unamortized premium bonds sold	30,025	1,633	(4,776)	26,882	4,479
Refunding	(15,798)	(2,153)	3,476	(14,475)	(3,424)
Total bonds payable	974,905 ^(a)	44,660	(136,698)	882,867	86,159
Limited GO capital leases and loans	142,246	-	(5,801)	136,445	3,756
Claims and judgments payable	1,891	-	(1,191)	700	700
Compensated absences liability	74,313	8,170	(3,709)	78,774	2,968
Unemployment compensated liabilities	1,271	1,699	(1,623)	1,347	1,347
Estimated claims settlements and other liabilities	114,456	149,490	(147,123)	116,823	76,800
Rebatable arbitrage	100	77	-	177	74
Total Governmental activities long-term liabilities	<u>\$ 1,309,182</u>	<u>\$ 204,096</u>	<u>\$ (296,145)</u>	<u>\$ 1,217,133</u>	<u>\$ 171,804</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 746,752	\$ 7,995	\$ (112,364)	\$ 642,383	\$ 19,597
Revenue bonds	1,189,756	417,505	(108,156)	1,499,105	24,885
Less deferred amounts:					
Deferred bond discounts/ refunding losses	(51,074)	11,279	(3,393)	(43,188)	(3,471)
Total bonds payable	1,885,434	436,779	(223,913)	2,098,300	41,011
Capital leases	3,685	-	(74)	3,611	77
State revolving loans	111,483	10,618	(3,479)	118,622	5,850
Claims and judgments payable	2,331	1,535	(1,984)	1,882	1,882
Compensated absences liability	48,908	24,432	(19,065)	54,275	7,339
Landfill closure and post-closure care liability	92,495	384	-	92,879	6,500
Environmental remediation and other liabilities	6,071	7,465	(935)	12,601	-
Total Business-type activities long-term liabilities	<u>\$ 2,150,407</u>	<u>\$ 481,213</u>	<u>\$ (249,450)</u>	<u>\$ 2,382,170</u>	<u>\$ 62,659</u>

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$116.7 million are included in the above amount. Governmental activities compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

(a) Governmental activities total bonds payable has been adjusted to exclude debt payable from Institutional Network (I-NET). This debt of \$5.6 million is included with business-type activities bonds payable. Also, total bonds payable excludes the amount of issuance cost/underwriter's discount which is reported as deferred charges in the government-wide statement of net assets.

NOTE 13 – CONTINUED**Computation of Legal Debt Margin**

Under Washington state law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and ¾ percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy. The legal debt margin computation for the year ended December 31, 2006 is as follows (in thousands):

2006 ASSESSED VALUE (2007 TAX YEAR)	\$ 298,755,199
Debt limit of limited tax (LT) general obligations for metropolitan functions	
3/4 % of assessed value	\$ 2,240,664
Less: Net LT general obligation indebtedness for metropolitan functions	(676,531)
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 1,564,133
Debt limit of LT general obligations for general county purposes and	
metropolitan functions – 1½ % of assessed value	\$ 4,481,328
Less: Net LT general obligation indebtedness for general county purposes	(843,352)
Net LT general obligation indebtedness for metropolitan functions	(676,531)
Net total LT general obligation indebtedness for general county	
purposes and metropolitan functions	(1,519,883)
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY	
PURPOSES AND METROPOLITAN FUNCTIONS	\$ 2,961,445
Debt limit of total general obligations for metropolitan functions	
2½ % of assessed value	\$ 7,468,880
Less: Net total general obligation indebtedness for metropolitan functions	(676,531)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	\$ 6,792,349
Debt limit of total general obligations for general county purposes	
2½ % of assessed value	\$ 7,468,880
Less: Net unlimited tax general obligation indebtedness for general county purposes	(286,133)
Net LT general obligation indebtedness for general county purposes	(843,352)
Net total general obligation indebtedness for general county purposes	(1,129,485)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	\$ 6,339,395

NOTE 13 – CONTINUED**Refunding and Defeasing General Obligation Bond Issues – 2006**

Limited Tax General Obligation Refunding Bonds, 2006A – On December 14, 2006, the County issued \$46.3 million in limited tax general obligation bonds, 2006A with an average interest rate of 3.74 percent to advance refund \$46.6 million of outstanding various purpose limited tax general obligation bonds – 1996B (\$7.2 million), 1997G (\$21.6 million) and 1999A (\$17.8 million) with an average interest rate of 5.09 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from both the governmental and business-type activities columns of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1.4 million. This amount, reported in the statement of net assets as a reduction from bonds payable, is being charged to operations through fiscal year 2019, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$4.4 million over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$2.4 million.

Partial Defeasances of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2006 – During 2006, the County completed two partial defeasances of limited tax general obligation (Baseball Stadium) refunding bonds, 2002 on February 15, 2006 for \$7.4 million and December 15, 2006, for \$9.4 million, using the excess proceeds from special taxes and revenues. The reacquisition price exceeded the net carrying amount of the old debt by \$1.2 million. This amount, reported in the statement of net assets as a reduction from bonds payable, is being charged to operations through fiscal year 2014, using the outstanding principal balance method. The transaction resulted in an economic gain of \$429 thousand for the year ended December 31, 2006.

Refunding Water Quality Revenue Bond Issues – 2006

Sewer Revenue Refunding Bonds, 2006A – On May 16, 2006, the County issued \$24.1 million in sewer revenue bonds, 2006 Series A with an average interest rate of 4.66 percent to advance refund \$24.2 million of outstanding sewer revenue bonds, 1999-1 with an average interest rate of 5.47 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1.5 million. This amount, reported in the statement of net assets as a reduction from bonds payable, is being charged to operations through fiscal year 2023, using the outstanding principal balance method. The transaction also resulted in a reduction of \$1.8 million in future debt service payments and an economic gain of \$1.2 million.

Sewer Revenue Refunding Bonds, 2006B – On November 30, 2006, the County issued \$143.4 million in sewer revenue bonds, 2006 Series B with an average interest rate of 4.54 percent to advance refund \$146.2 million of outstanding sewer revenue bonds, 1999-1 (\$55.8 million), 2002A (\$5.1 million) and Water Quality limited tax general obligation bonds, 1996C (\$85.3 million), with an average interest rate of 5.47 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$7.2 million. This amount, reported in the statement of net assets as a reduction from

NOTE 13 – CONTINUED

bonds payable, is being charged to operations through fiscal year 2035, using the outstanding principal balance method. The transaction also resulted in a reduction of \$20.8 million in future debt service payments and an economic gain of \$12.6 million.

Refunded Bonds

King County has 17 outstanding refunded and defeased bond issues consisting of limited tax general obligation bonds (\$366.1 million), unlimited tax general obligation bonds (\$25.6 million) and sewer revenue bonds (\$138.8 million) that were originally reported in the Primary Government's statement of net assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, the US Bank of Washington, and the liability for the defeased bonds has been removed from the statement of net assets.

Future Borrowing Plans

The County expects to issue approximately \$150.0 million of new long-term limited tax general obligation bonds during 2007. These bonds will primarily be used to pay off certain bond anticipation notes maturing in 2007 and to provide funding for the Solid Waste Division's capital improvement program.

For the remainder of this decade the County will need to issue approximately \$1.4 billion of new debt to provide continuing funding for its Wastewater Treatment Division's capital improvement program, of which \$250.0 million will be issued in June 2007. While most of this new debt will be in the form of sewer revenue bonds, a portion may be comprised of limited tax general obligation bonds that are additionally secured by a pledge of the revenues from the Wastewater Treatment Division.

The County intends to take advantage of favorable interest rates by refinancing any outstanding higher rate bonds when and if market conditions permit.